STATE OF ALASKA

THE REGULATORY COMMISSION OF ALASKA

Before Commissioners: Kate Giard, Chair
Dave Harbour
Mark K. Johnson
Anthony A. Price
Janis W. Wilson

In the Matter of the Consideration of Adoption of Regulations to Implement Amendments to the Public Utilities Regulatory Policies Act of 1978 by the Energy Policy Act of 2005	)	Docket R-06-5

COMMENTS OF CHUGACH ELECTRIC ASSOCIATION, INC.

I. Introduction

Chugach Electric Association, Inc. (Chugach) provides these comments in response to Order No. 1 in the above-captioned matter established to review the five new standards (New Standards) added to the Public Utilities Regulatory Policy Act of 1978 contained in Sections 1251, 1252, and 1254 of the Energy Policy Act of 2005. These New Standards can be described as:

- Net metering (August 8, 2008 review deadline);
- Fuel source diversity (August 8, 2008 review deadline); and
- Fossil Fuel Generation efficiency (August 8, 2008 review deadline);
- Smart (time-based) metering (August 8, 2007 review deadline); and
- Interconnection (August 8, 2007 review deadline).

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In general, Chugach supports the comments filed by the Alaska Power Association (APA). These comments filed by Chugach individually serve to reinforce Chugach's support for the APA comments, emphasize certain of those points and to make additional points that are of special interest to Chugach. Chugach is sympathetic with the underlying policy objectives of the New Standards but believes that, with the possible exception of interconnection standards, the implementation of any of the other four New Standards in Alaska is either premature, unnecessary or both for the reasons set out below.

II. Underlying Factors that Influence Consideration of the New Standards

While Chugach is sympathetic with some of the policy objectives behind the New Standards Chugach must first carefully weigh the risks, costs and potential benefits to customers of each of the New Standards on an initial scoping basis. Then, if the possibility of net benefits exists, further analysis may be appropriate.

As an important backdrop to the Commission's consideration, Chugach must keep in mind the following key differences between Chugach and many of our compatriots in the Lower 48. Chugach:

- Is a relatively small utility;
- Not interconnected to a national or regional grid;
- Experiences relatively small fluctuations in incremental cost of production regardless of load/time of day;
- With the exception of its wholesale customer, Seward, has few good candidates for interruptible arrangements (e.g. industrial loads);

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- Has limited fuel supply options – in part because of size; and
- May benefit from allowing larger, Lower 48 Commissions and utilities take the risks of exploring the areas of interest suggested in the federal legislation.

III. Comments on Specific New Standards

Chugach believes that the RCA and electric utilities in Alaska know enough now to determine that, with the possible exception of interconnection standards, none of the other four New Standards should be adopted by the Commission at this time. Our reasoning as to each New Standard is set out below.

A. Net Metering

Chugach does not oppose the concept of paying customers who put energy into the system (presumably through some sort of credit against their bill) provided the customer is paid the utility's avoided cost of generation. Typically net metering does not do this because it is implemented by merely reducing the billing to the customer with the self-generating facilities on a kwh-by-kwh basis. This results in the utility (and consequently the other customers on the utility's system) paying for the displaced energy at the retail rate rather than at the avoided cost of generation. For example, if the incremental cost of generation were 4.5 cents a kwh, and the retail rate were 10 cents, when the self-generating customer is "paid" 10 cents by reducing the resultant bill by the number of kwh contributed to the system, the utility will back down its generation that costs 4.5 cents in favor of customer-owned generation that costs 10 cents.

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If the self-generating customer were to pay for the added costs of metering and were paid the utility's avoided cost of generation rather than the retail rate, Chugach would have no objection to this arrangement.

B. Fuel Sources

Chugach already has a strong incentive to investigate alternative fuel sources. Chugach has and still is engaging in these sorts of inquiries. As part of Chugach's Integrated Resource Plan (IRP) and current generation plan, we have evaluated the economics and feasibility of several fuel options including natural gas, conventional coal, coal gasification, hydroelectric, wind, tidal and geothermal. No new regulations are needed to stimulate this activity.

C. Fossil fuel Generation Efficiency

Chugach is currently planning to add new generation for the primary purpose of improving fuel efficiency. In previous submittals, the Commission has seen plans developed through Chugach's planning process. Definition and development of a separate 10-year plan to accomplish the same thing would impose additional cost and yield no benefit for Chugach's members.

D. Smart (Time-Based) Metering and Communications

Chugach already uses smart meters for billing wholesale and large retail customers, as well as for research purposes. Furthermore, Chugach has developed a system called "e.Meter Solutions" that customers can use to acquire detailed information about their electricity consumption. In principle, where benefits outweigh the costs,

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Chugach embraces this technology. On an on-going basis, Chugach investigates and installs this technology where cost-beneficial.

However, widespread, mandated implementation of this technology now would be premature. As a practical matter, because the incremental costs of generation at different times and loads are not significantly different on Chugach's system, there is little demand for this technology at this time. This circumstance is a result of two main factors. First, unlike some systems, Chugach has no low-incremental-cost, base load generation such as large coal-fired or nuclear generation which stands in contrast to much higher incremental cost peaking generation. Second, to a great extent, Chugach is able to use low-cost hydro power to accommodate load peaks. This tends to reduce (although not eliminate) the potential benefit of time-based metering.

E. Interconnection

Since 2001, Chugach has had its own interconnection standards. There have not been many instances in which customers requested interconnection but Chugach remains prepared to accommodate interconnections. More recently, in 2003, the Institute of Electrical and Electronics Engineers (IEEE) promulgated interconnection standards that, with some adjustment for local circumstances, Chugach supports. These standards are known as 1547 and 1547.1. Chugach supports the use of these uniform interconnection standards because they promote uniformity and they are well-thought-out.

Chugach is willing to accept a rulemaking docket on interconnection based on IEEE 1547 and 1547.1. Some of the reasons Chugach believes these standards should be implemented include:

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- Customers are increasingly interested in connecting their own generation sources to the power grid and this increased interest is creating a strong need for consistent and uniform guidelines for utilities on the interconnected grid. Although very few, if any, customers have actually interconnected to date, Chugach believes there is more interest than in the past.
- Chugach believes that businesses that may be considering such interconnection, as well as other members of the general public, will benefit from having well-known, published standards that they can factor into their thinking.
- IEEE 1547 and 1547.1 set consistent and uniform frequency and operating standards, thereby eliminating redundancy in having the Commission set specific guidelines for each utility.
- IEEE 1547 and 1547.1 allow utilities to maintain power quality throughout railbelt by limiting the ability of customer(s) to degrade power quality on the system. IEEE 1547 and 1547.1 allow utilities to maintain safe interconnection standards throughout railbelt by establishing uniform safety standards on the railbelt interconnected electrical system.

Deviation from the guidelines should be permitted based on the specific circumstances of the utility for good cause. In addition to these basic standards, however, each individual utility must adopt its own procedures for use in processing interconnection requests. Part of the above-mentioned Chugach interconnection standards developed in 2001 cover these localized procedures.

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F. Conclusion

Chugach encourages the Commission not to open dockets to further consider the proposed New Standards. Rather Chugach requests that the Commission issue findings that implementing the proposed New Standards are not in customers' interests as to all of the proposed New Standards except for the interconnection standards. With respect to the interconnection standards, Chugach is amenable to the Commission considering regulations adopting the IEEE 1547 and 1547.1 standards for interconnection provided provisions for adapting them as needed to fit local requirements are included in the regulations. Utilities and the public will benefit from having carefully developed standards that protect life and property under standardized interconnection rules.

Dated this 23rd day of October, 2006.

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